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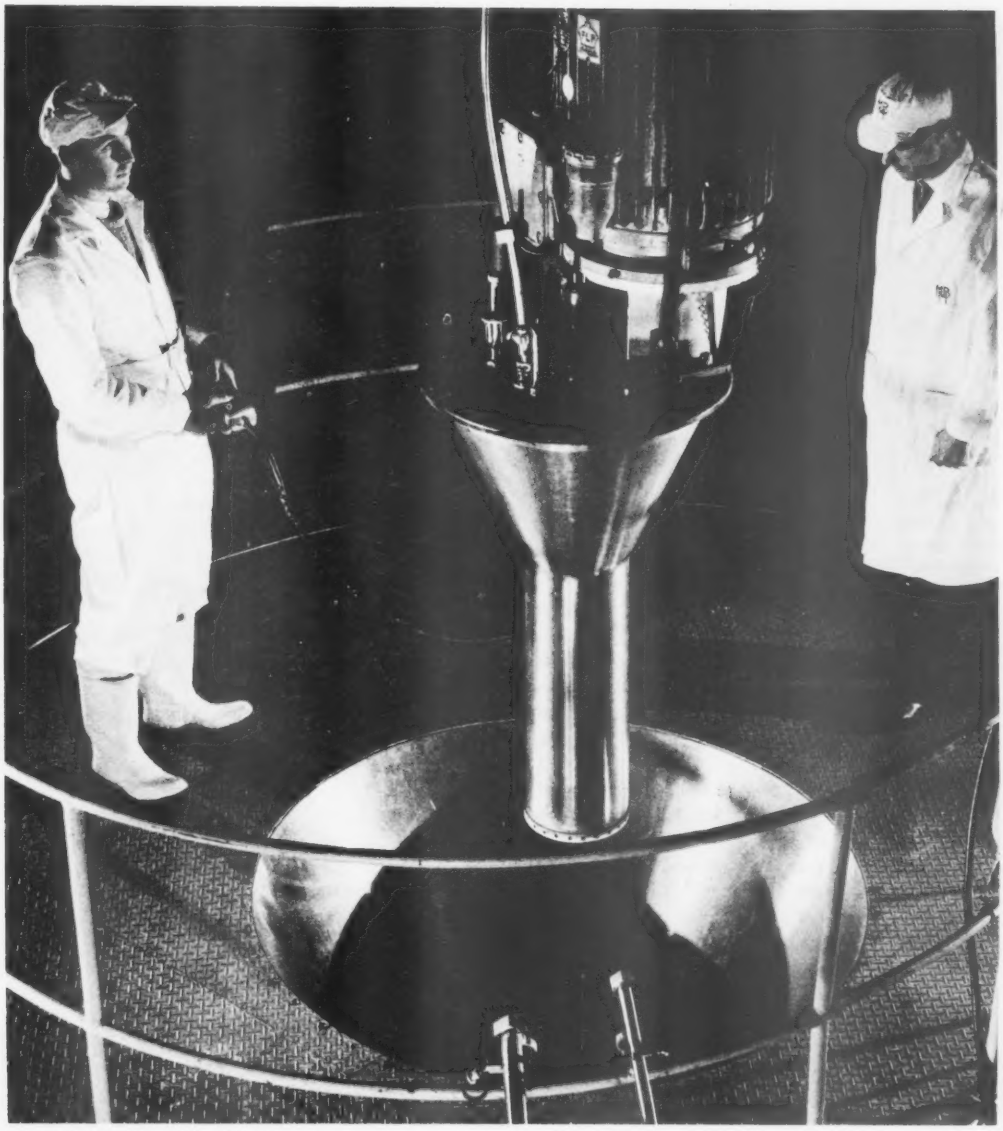

Spray drying skim milk, Britain.

Nonfat Dry Milk—
Newest World Dairy Problem

September 8, 1975

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In this issue:

2 Nonfat Surplus Emerges as Latest World Dairy Problem
By Lloyd J. Fleck
5 Syria Imports U.S. Holsteins as Part of Farm Program
By Shackford Pitcher
6 U.S. Farm Exports May Set Record in 1975/76
By Richard E. Bell
8 British Use of Cheaper Leaf Cuts U.S. Market Share
By Cline J. Warren
10 Added Acres Supply More New Zealand Export Corn
By Harold T. Sanden
11 Romania Boosts Soybean Imports and Output
13 Denmark Slashes Imports of U.S. Soybeans in 1974
14 Crops and Markets

This week's cover:

This atomiser will transform U.K. skim milk concentrate into a cloud of tiny droplets—part of the spray-drying process for skim milk. World stocks of nonfat dry milk are reaching mountainous proportions, as a result of rising milk output, according to article beginning this page.

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Nonfat Surplus Emerges as Latest World Dairy Problem

By LLOYD J. FLECK
Commodity Analysis, Dairy, Livestock and Poultry
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EXPANDING milk production and slackened demand for dairy products are creating some acute problems in what has come to be a chronic world dairy surplus. This time the problem child is nonfat dry milk, with stocks in Western markets heading toward an alltime peak of over 1 million metric tons in 1975—at least double those in most recent years and nearly 2 years' worth of net exports.

In turn, the export outlook for nonfat is steadily dimming, since the United States—a large-scale importer for a short period—now has surpluses of its own to add to those of Western Europe, Oceania, and Canada. These surpluses in major developed countries have sharply constricted the commercial market, provoking use of export subsidies, aggressive market promotion, and food-aid donations to spur exports.

Focal point of the problem is Western Europe, where milk production has risen 13 percent since 1964 while use of milk for manufacturing dairy products has climbed at more than twice that pace, or 27 percent. Accounting for the difference in growth rates is the declining consumption of fluid product —including a 13 percent drop in its use as animal feed.

This lackluster milk market, combined with protective price support programs and assured Government buying of excess dairy products, has led to snowballing output of dairy products—but at high prices that tend to discourage consumption even in times of overbearing surpluses.

Oceania, on the other hand, has seen a rise in use of fluid product, in concert with reduced manufacturing use. And estimated production and use of milk in North America in 1975 are under the levels of 1964, as indicated in the tabulation below.

Hence, Western Europe is at the center of the mounting stockpile of dairy products. And the EC, with four-fifths of European dairy output and virtually all of the region's stocks, is at the very core of the surplus problem.

One particularly expensive side effect has been the rising budgetary demands on governments forced increasingly into support buying of dairy products. Milk support programs are already the most expensive item in the EC's Market Support Fund, accounting for 40 percent—or about $2 billion—in 1975. And EC officials estimate that for every 1 percent gain in supply of any supported dairy product, support costs go up another $40 million—a fact pointing to at least a 10 percent rise in such costs during 1976.

THIS GROWING cost of supporting dairy prices has increased pressure to limit milk production in Western Europe. But production curbs will be difficult to obtain, especially in the EC, where problems differ so widely among member countries, and dairy farmers enjoy considerable political power.

Given this limitation, the only major changes that can take place in EC dairy output in the near future are among the types of dairy products manufactured—a limitation that has led to sharp

CHANGE IN MILK PRODUCTION AND UTILIZATION BETWEEN 1964 AND 1975
[In percent]

Region	Production	Utilization		
		Fluid	Factory	Feed
North America	−5.06	−5.03	−4.21	−28.21
Western Europe	+13.24	−.92	+27.24	−13.35
Oceania	+.11	+14.73	−3.45	+46.77
Total	+5.49	−2.45	+13.34	−13.97

Danish Red cows in modern dairy barn.

fluctuations in prices and subsequent shifts from one product group to another. The existence of only two basic alternatives—cheese and its by-product, whey, and butter and its complement, nonfat dry milk—serves to magnify these changes.

Hence, heavy consumer demand in early 1974 boosted cheese production in Western markets (North America, Western Europe, and Oceania) 7 percent last year, while butter output was virtually static owing to weak prices.

But by 1975, cheese prices were softening and butter improving, giving impetus to an estimated 2 percent gain in butter production this year and a 6 percent jump in nonfat dry milk. Unfortunately, only the butter side of the demand equation has shown any measurable gain, with the result that all of the added nonfat output is going into this year's unprecedented stockpile of dry milk.

That stockpile is currently forecast at well over 1 million tons for Western markets—nearly double the 604,000 tons of 1974. And this may well be conservative considering some EC estimates that the Community's surplus will reach 900,000 tons. Part of the remaining surplus is in the United States—an estimated 172,000 tons—where improved butter prices earlier this year reversed at least temporarily the long-term decline in butter/nonfat output. New Zealand is the third major holder of nonfat dry milk stocks, estimated at over 150,000 tons.

Nonfat dry milk production in the Western market countries is forecast at just over 3 million tons in 1975—up 6 percent from 1974. The European Community, with three-fifths of the total, is expected to increase output some 7 percent to 1.8 million tons, continuing a decade-long expansion that has multiplied output 2½-fold since 1964.

"So far, butter has not come up against the overwhelming surplus problems encountered by nonfat, although both production and stocks are on the rise and trade is slackening."

This growth reflects not only steadily expanding milk output but also greater use of skim milk for manufacture of nonfat dry milk. In 1964, about one-half pound of nonfat dry milk was processed for each pound of butter produced; in 1975, this was up to over a pound.

Expanded use of nonfat dry milk as an animal feed—aided by EC subsidies—helped create a market for this product and in fact contributed to its better stock position vis-a-vis butter in the early 1970's, when the "butter mountain" was much bemoaned. But lately, such subsidies have been losing their effectiveness in the face of rising nonfat prices and the availability of cheaper alternative feed ingredients. Feed subsidies are critically important, since animal feeds account for 80 percent of total EC use of nonfat dry milk.

Coinciding with the recent boom in EC output of nonfat dry milk is a resumption in North American production growth after a decade of decline—off some 40 percent between 1964 and 1975. The upward shift in butter production in response to short supplies of fats and oils accounts for the enlargement, but, as in the EC, nonfat dry milk has not shared in the increased demand.

Hence, North America now has large exportable supplies—with possible shipments of 150,000 tons of dry milk in 1975—in contrast to net imports last year of 67,000 tons.

Partly as a result of the turnaround in North American trade, nonfat dry milk exports from Western market countries are estimated down 14 percent in 1975. Net exports from the EC are forecast at just over 200,000 tons, off a third from 1974's, and Oceania's also will be off about a third to 225,000.

The bulk of this trade will be subsidized or donated. The EC Commission has proposed that 70,000 tons of nonfat dry milk be made available as food aid in 1975 and an additional 100,000 tons be sold to charitable institutions at

Above, loading containers of processed cheese at the Auckland Wharves, New Zealand. Cheese is among the dairy products in oversupply. although the cheese surplus is now being eclipsed by that of nonfat dry milk. Right, milking room on a farm in Aisne Department, France. France is one of the leading supporters of the EC's protective dairy policy, which has been a big contributor to the dairy product surplus.

one-quarter of the intervention price—about 16 cents per pound. Virtually all U.S. shipments will be made under the P.L. 480 programs.

So far, butter has not come up against the overwhelming surplus problems encountered by nonfat, although both production and stocks are on the rise and trade is slackening.

Butter production in 37 major producing countries is estimated at 5.5 million tons in 1975, for a 1 percent gain from that of 1974. Virtually the entire gain is forecast for the United States (up 6 percent) and the European Community (4 percent), as a result of high prices for competitive vegetable oils in late 1974 and early 1975 and lower prices for cheese.

THE MAJOR change in butter trade this year is the emergence of the European Community as a substantial net importer of butter after being a major net exporter through 1973 and a modest net importer in 1974. This shift, of course, is the result of the United Kingdom's joining the European Community in 1973 and its continuation, on a declining basis, of butter imports from third countries, mainly New Zealand.

The United Kingdom, which accounts for nearly two-thirds of the world's butter imports, could become an even larger purchaser in 1975 as a result of a 2 percent drop in U.K. milk production during the first half of 1975. That decline, in turn, reflects damage to pastures by dry hot weather during early 1975 and some herd liquidation by farmers caught in a cost/price squeeze.

In fact, to prevent shortages of cheese and fresh dairy products, the U.K. Milk Market Board banned butter production in mid-July. At least one major producer in the United Kingdom expects the ban to continue throughout the remainder of 1975. Such a move could increase U.K. butter imports well beyond expected levels and help lower EC butter stocks, which are forecast to reach 250,000 tons at the end of 1975—up almost 8 percent from 1974's.

Stocks also are expected to rise outside the EC, for a total Western market stockpile of 443,000 tons—9 percent above that in 1974.

Cheese, on the other hand, is moving back from an excessively high stock level last year, as a result of the widespread production shift this year from cheese to butter.

Total cheese output in 38 major producing nations in expected to expand by only 1.0 percent to 7.04 million tons in 1975 after several years of vigorous growth.

Cheese exports from Western countries are forecast to be about the same as 1974's. The European Community, which accounts for about three-quarters of the world's exports and imports, will see a drop in its net exports in 1975 to only about 24,000 tons from 94,000 in 1974. The Community's exports to the United States have fallen substantially following a threatened countervailing duty action against EC cheeses, particularly Swiss cheese, while EC imports are rising sharply now that New Zealand's recovery from drought has allowed that country to up sales to the U.K. market.

CHEESE STOCKS in major Western markets are seen dropping 4 percent this year to 564,000 tons, with the bulk of this decline in the United States (off 7 percent) and New Zealand (50 percent). EC stocks on the other hand, will rise over 4 percent to an estimated 242,000 tons.

Looking to 1976, the world dairy market hinges as always on events in the two major exporters—Oceania and Continental Europe—and the two major importers—North America and the United Kingdom.

In Oceania, New Zealand continues to recover from the 1974 drought, with abundant pastures setting the stage for increased milk production. But the country will not find it easy to market this output, since it faces major problems in the export market—outlet for over two-thirds of New Zealand dairy production. The country faces a gradual loss of the all-important U.K. market as Britain adjusts to importing from other European Community members. In addition, prospects have dimmed in North America following the brief widening of sales opportunities here in

Continued on page 12

Syria Imports U.S. Holsteins As Part of Farm Program

By SHACKFORD PITCHER
U.S. Agricultural Attaché
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EXPORT TO SYRIA in late August of about 500 U.S. Holstein heifers marks the first of a series of shipments by Canexpo, a Canadian firm, to Syria that eventually could total about 8,000 head of U.S. dairy cattle—a record high for exports of U.S. breeding cattle to Mideastern countries.

Lower Holstein prices in the United States—compared with Canadian prices —are chiefly responsible for Canexpo's extensive cattle procurement in this country. The cattle are being purchased from a number of individual sellers.

This sharp expansion in Syria's cattle imports is part of that country's growing emphasis on building a viable dairy industry. Up to now, production of dairy and poultry products has been insufficient to meet domestic requirements and supplies have been supplemented by imports.

The Syrian Government has signed contracts with a Romanian firm as well as with Canexpo to supply livestock and construct dairy farms. A new Government agency—the Syrian Cattle Organization, with headquarters at Hama —is responsible for these contracts.

The Canexpo contract calls for installation of 13 dairy farms at a cost of about $29 million. Ten dairy farms with a total capacity of 6,000 dairy cows are to be built in the Ghab region, and three other farms, each with a capacity of 600 cows, are to be built at Tartous, Homs, and Hasakeh. Initially, these farms will be stocked with imported cattle.

Two farms designed for raising replacement heifers also will be constructed, and a veal-fattening operation with an annual capacity of 3,000 calves is planned.

An artificial insemination center is to be built at Damascus, and a 200-head quarantine facility is to be opened at Tartous.

The Syrian contract with the Romanian firm calls for 10 dairy farms equipped to handle 600 cows each, and a third project, providing for three more 600-cow farms, has reached the stage where the Government has issued an invitation for offers of cattle.

Together, these projects give an indication of the Syrian Government's intent to expand dairy output significantly over a period of years and thus lessen the country's reliance on imported dairy supplies.

The large public investment in agribusiness-related facilities is already attracting foreign firms from many countries. Many Syrians—both Government officials and business executives—are enthusiastic about U.S. technology and are desirous of attracting U.S. firms, particularly those specializing in turnkey agricultural projects.

Gradually, Syria is expected to shift from its present position as an exporter of raw agricultural commodities to exporting higher value semimanufactured and processed products from these commodities.

The nearby Arab copntries offer very attractive markets for Syrian food and fiber products. Thus, more cotton could be exported as yarn and cloth, and planned expansion of animal products and of fruit and vegetable processing could supply nearby export markets.

In addition to expansion of its dairy industry, Syria also is placing substantial emphasis on sheep production, including establishment of six Government farms, promotion of forage production, and financial assistance to sheep cooperatives.

THE COOPERATIVES may receive 10-year interest-free loans for building storage facilities and expanding production. The Government is helping cooperatives procure feed and is supervising storage and distribution so adequate facilities will exist for fattening and carrying sheep during the dry periods when ranges do not offer sufficient feed. Most of the Government's effort is concentrated in the semidesert steppes regions.

The World Food Program has supplied more than $2 million worth of food aid for various sheep projects, which have improved ranges through protection and controlled grazing, introduced fodder crops on idle fallow land, and established a feed revolving fund to stabilize the nomadic sheep industry through improved breeding and husbandry practices.

Syria's land reforms of the 1960's resulted in redistribution of about a third of the country's cultivated land, and the start of construction on a Euphrates River dam set the base for comprehensive regional development in the northern region.

The Government's 1970-75 national economic plan gives high priority to agricultural development, with about 35 percent ($570 million) of public investment assigned to the agricultural sector, most in the Euphrates basin.

Syria's agricultural and land reclamation budget for 1974 included funds for continuing work on the Euphrates dam, development of the Balikh basin, the start of reclamation of about 52,000 acres of land in the Meskene basin, and work on the Sednaya State Poultry Farm.

Other poultry projects funded are those at Homs, Aleppo, and Latakia, as well as two model farms, one for cattle at Aleppo and the other for Chami goats at Damascus. The budget also provided for completion of the Aleppo grain silo complex, and irrigation studies for Khabour and Jezireh.

The 1975 budget estimates a tripling of the Ministry of Agriculture budget over the year-earlier level, and includes funds for the planned Government poultry and dairy farms as well as other investment projects.

The long-term outlook for Syrian agriculture is very promising as a result of heavy public investment in infrastructure—including the Euphrates dam and irrigation projects, the eventual completion of the ambitious grain silo network, seed cleaning and storage facilities, and numerous poultry and dairy projects.

The silo project alone calls for construction of more than 800,000 metric tons of bulk grain storage, with the site at Aleppo scheduled to become operational beginning with the 1975 harvest.

It is unlikely that Syrian grain and protein meal production can keep ahead of expanding domestic demand for feed ingredients. A steadily rising volume of imports to supplement domestically produced supplies may be necessary.

U.S.Farm Exports May Set Record in 1975-76

By RICHARD E. BELL
Assistant Secretary of Agriculture
International Affairs and Commodity Programs

IN THE COMING year, the United States will export almost 60 percent of its wheat crop, around a fourth of its corn crop, and about half of its soybeans. Some 40 percent of our cotton crop will be exported.

For the grains and soybeans, these percentages are in the range this country usually expects to export. Exports of wheat and corn will be at record levels, but so will production. Exports of soybeans will be the second highest on record; so, we estimate, will production.

Cotton exports in the marketing year ahead will be somewhere near what they were in the past year, against a total cotton supply about the same as last year. We will have a smaller crop but larger beginning stocks.

American farmers must export in these magnitudes, year after year, or sharply curtail their output. Govenment policy is to encourage full production by U.S. agriculture. But without large overseas markets, farmers would be forced to cut back production—as a result of market pressures, Government contols, or both.

Export volume of principal agricultural commodities in the fiscal year ending next June 30 has been estimated at almost 100 million metric tons—about 12 million tons above the preceding year's volume and about the same as in the year before that.

If we think in terms of marketing years for the various commodities, exports in the coming year should be higher than 100 million tons and higher than the possible $22 billion in value that the Department has estimated for the fiscal year. The soybean marketing year begins September 1 and the corn marketing year begins October 1; the large 1975 crops will be coming in after those dates.

Grains. We now estimate wheat exports at 33.7 million tons in the marketing year that began July 1, compared with 28 million tons the preceding year. These and following figures are midpoints of recent estimates for 1975/76.

We project corn exports in the 1975/76 marketing year at 35.9 million tons, compared with 28.2 million tons in the year now ending.

U.S. exports of all grains in the year ahead are placed at 77 million tons—14.6 million tons above the past year. It should be noted, however, that the increase in U.S. supplies (stocks plus production) for 1975/76 is estimated at 43.3 million tons, which will provide for increased consumption at home, increased exports, and increased stocks at the end of the year.

Prospective carryover stocks are expected to increase from 22.9 million tons in 1975, to 35.9 million tons in 1976. Next year's carryover, which will include about 500 million bushels of wheat and 670 million bushels of corn, will be the largest in 3 years.

Recent purchases by the Soviet Union include 4.2 million tons of wheat, and 4.5 million tons of corn. Barley, sold in the amount of 1.1 million tons, will probably not come from U.S. supplies; however, the exporter has an option to supply corn instead of barley and this option may likely be exercised with U.S. corn. Most of the other sales are on an "any origin" basis, but we expect that deliveries will come primarily from the United States.

Although we fully expect that the supply situation will permit future sales to the USSR, Secretary Butz has asked U.S. exporters to forego additional sales to that market until we have a more precise picture of the 1975 corn crop here in the United States, as well as crops abroad.

Since 1971, the Soviet Union has been a regular buyer of U.S. grains—but not always consistent in quantities purchased. Soviet purchases of feedgrains have been fairly even from year to year, but its wheat purchases have been erratic.

We value the USSR as a customer, but we would like it to buy on a steady basis. To do this, the Soviets need a better storage system, so that when a crop shortfall occurs they can dip into stocks for the difference, without the need for sudden large purchases abroad.

In addition to the increase in grain exports to the USSR, larger U.S. exports are expected to Eastern Europe, South Asia, and Japan.

Grain exports to Eastern Europe will be larger than expected a few months ago because of floods in Romania and drought in East Germany. Eastern Europe is a market for 10 million tons of grain a year. In normal years, 4 to 5 million tons come from the USSR. This year, however, most East European grain imports will come from Western sources. This adds an extra dimension to the demand for U.S. grains.

U.S. wheat exports to South Asia in the 1975/76 marketing year will be larger than the 5.9 million tons shipped in 1974/75. This has been a growing market, moving up from 2.9 million tons in 1973/74.

"American farmers must export in these magnitudes, year after year, or sharply curtail their output."

India has good crops this year, but will still need to import grains; in fact, U.S. wheat shipments to India may exceed the 4.3 million tons shipped in 1974/75. Pakistan has had some damage from floods, and may take larger quantities of wheat than last year.

Exports of U.S. grains to Japan will likely increase somewhat in the year ahead, due to lower prices and expected gains in Japanese livestock feeding. Japan is the largest market for U.S. farm exports, and an effort is being made to make these shipments more regular and more predictable. Secretary Butz and Japan's Minister of Agriculture and Forestry Abe recently announced an understanding that U.S. grain and soybean shipments to Japan should stay at 14 million tons a year for 3 years—about the same level as in recent years.

Oilseeds. U.S. exports of oilseeds and products in the year ahead will be larger in volume, but it appears now that reduced prices compared with last year will result in an export value somewhat below 1974/75's.

World demand for high-protein meals continues to lag

Based on remarks at Mini-Outlook Conference, Washington, D.C., August 21, 1975.

due to the relatively high feed prices which have reduced livestock and poultry producer profits. Also, livestock numbers in some of our major markets were down this year.

If 1975 grain production is sufficient to assure livestock producers of adequate supplies at attractive livestock/feed ratios, we would expect a recovery in meal demand to begin in the spring of 1976.

This year, the demand for food fats and oils has declined on a per capita basis, affecting both U.S. and foreign consumers. This seems to reflect declining real incomes together with some downward adjustments in hidden inventories. To the extent that economic conditions improve in 1976, we would expect that oil consumption would resume its growth.

"We value the USSR as a (grain) customer, but we would like it to buy on a steady basis."

We are seeing a general increase in world production of oils and protein meals. The U.S. and Brazilian soybean crops are larger than last year's. World output of fish meal, peanut meal, and rapeseed meal is gaining.

Production of cottonseed meal is down, and production of sunflower meal is about unchanged. World production of protein meals in 1976 is estimated at 68.4 million tons, compared with 62.3 million tons the preceding year.

Brazil has had surprising growth as a soybean exporter, and is now a major competitor in world markets for oilseeds and meal. Brazil's production this year, estimated at 9.6 million tons of soybeans, is equivalent to nearly a fifth of the U.S. crop. It accounts for more than 11 percent of world meal supplies.

In the first 9 months of the 1974/75 marketing year, U.S. soybean exports declined substantially while Brazil's exports more than doubled. U.S. exports of soybeans and meal during the October 1974-June 1975 period fell to 10.3 million tons (meal basis)—4.3 million tons less than that period last year.

Meanwhile, Brazil's exports of soybeans and meal approximated 3.5 million tons (meal basis)—2.2 million tons more than during the same 9 months of 1973/74. The gain in Brazil's exports is equal to the protein fraction of more than 100 million bushels.

Cotton. A moderate increase is expected in world cotton consumption beginning in the last quarter of 1975 or the first quarter of 1976. This, combined with lower-than-average stocks in importing countries, should lead to a revival of buying interest and an increase in world trade.

As the demand for cotton improves, price differentials of 5 cents or more per pound currently favoring foreign growth over U.S. should begin to narrow, resulting in more competitive prices for U.S. cotton.

On the negative side, however, stocks in exporting countries are at high levels and may prevent significant improvements in U.S. exports from last season's level. Current estimates call for exports of 3.8-4.3 million bales (480 lb net) compared with 3.9 million in the year ending July 31, 1975.

Other major commodities. Exports of livestock and livestock products in the year ahead will be about the same as in the past year. Exports of fruits and vegetables will also hold at about the same level.

Dairy and poultry exports will increase in the year ahead, mostly due to an expected increase in shipments of nonfat dry milk under P.L. 480, the food aid program. The volume of tobacco exports will likely be about the same as 1974/75.

Any effort to appraise the outlook for agricultural trade in 1975/76 must take into account an unusual number of uncertainties. Many crops are still to be harvested, and drought in the American Midwest has dictated some caution in assessing final crop figures.

There continues to be uncertainty about the size of further Soviet purchases of grain. Moreover, it is particularly difficult this year to forecast prices. World grain stocks are low and prices are sensitive to changes in the world production and trade outlook.

A good deal of economic recovery is predicted as we get into 1976. However, most countries have experienced declines in real economic activity, and continued inflation and unemployment will work against any rapid increase in the demand for food.

The predicted increase in the volume of exports from the United States will come about because of reduced world crop prospects plus favorable U.S. commodity prices.

A major factor in the ability of U.S. agriculture to compete in the world is the existence of floating exchange rates. With currencies permitted to establish their own relationships, this has made U.S. farm commodities less expensive in terms of strong world currencies

In the fiscal year ending last June 30, U.S. farm product exports of $21.6 billion resulted in a positive trade balance of $12 billion in our agricultural trade.

Since nonfarm trade was in deficit for the year, it was this strong performance by agriculture that pushed the overall trade balance into the black by $2.2 billion.

Without a large volume of exports, the nation's international trade account would fall far into deficit. Since this would be an inflationary factor, the point should be made that agricultural exports are an inflation fighter.

Beyond the fact that exports make possible a large and efficient agricultural plant in this country—and that any loss of markets would discourage production—it is important that farm exports continue their role in maintaining the strength of the dollar abroad.

Italy's Imports of U.S. Tobacco Soar

Italy's imports of U.S. tobacco leaf are expected to rise sharply in 1975 as smokers there shift to blended cigarettes. The Italian manufacturing monopoly has budgeted to import 3030 million pounds of U.S. flue-cured and burley leaf during 1975, up 36 percent over 1974 imports from the United States.

This increase is apparently related to the monopoly's decision to make more blended American-type cigarettes, and thus recover its share of Italy's cigarette market, which declined to 67 percent in first-quarter 1975.

As smokers' tastes have shifted rapidly toward American-type blends, the monopoly has been slow to respond. In the first quarter of 1975, sales of imported cigarettes were up 71 percent, compared with the same period in 1974, while sales of monopoly-made cigarettes (mostly traditional dark cigarettes) declined 23 percent.

U.S. exports during January-June 1975 reflected Italy's greater demand for U.S. leaf, as total shipments rose to 31 million pounds, 38 percent above first-half 1974 shipments. The bulk of U.S. exports to Italy typically moves in the first half of the calendar year, so some slackening in shipments there may be expected in the coming months.

British Use of Cheaper Leaf Cuts U.S. Market Share

By CLINE J. WARREN
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London

SEEKING RELIEF from soaring costs and softening consumer demand, the United Kingdom's tobacco industry is expanding its use of cheaper tobaccos —at the expense of U.S. tobacco sales, which consist largely of higher quality leaf. In their efforts to cut costs, British manufacturers are also making greater use of Common Market and Commonwealth preferences, which favor tobaccos of other origins.

Reflecting these trends, U.K. imports of U.S. leaf nosedived 18 percent in 1974 to 104.3 million pounds, contrasting sharply with the 10 percent upturn in total imports to 362.3 million. The sudden slide in the U.S. market share accelerated a decline that has been in progress for the past three decades. In 1946, for instance, U.S. tobacco accounted for 85 percent of all British tobacco imports—a share that dropped to slightly less than 40 percent by 1973. Then in 1974, the U.S. share slipped to a low of only 29 percent.

A number of factors in 1974 combined to work against the interests of the higher priced tobaccos imported from the United States. Chief among these were cost factors, responding to domestic and international pressures that pushed up prices of energy, labor, leaf, transportation, and packaging materials. As a result, capital inputs needed to cover manufacturers' costs also rose sharply.

At the same time, consumers were reacting to the zooming prices of tobacco products by curtailing their consumption. Cigarette prices especially, which had risen to about $1 to $1.30 per pack by early 1975, caused consumers to think twice about tobacco purchases.

Probably the one factor which had the greatest effect on the industry's cost structure came in March 1974, when the Chancellor of the Exchequer increased the tobacco duty in the 1974/75 budget by a whopping 29.85 percent. This meant that the rate of duty on imports of both leaf tobacco and products was suddenly increased by the equivalent of $3.36 per pound to a total of $13.61 per pound. To this was added a 6 percent ad valorem tax.

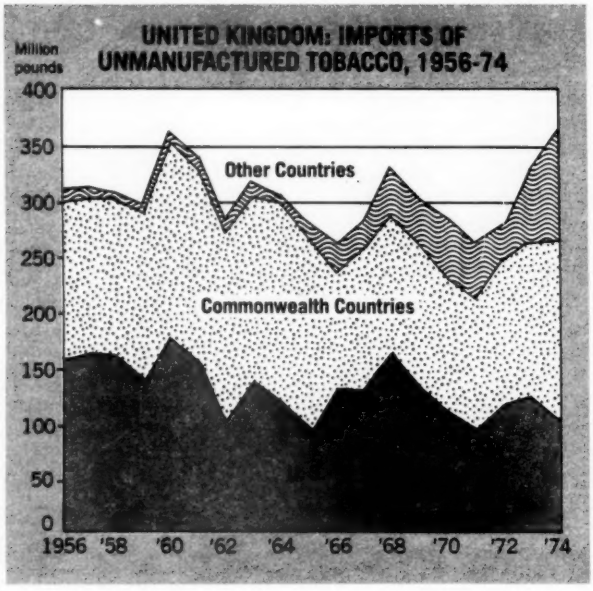
Shortly thereafter, the retail price of most brands of cigarettes escalated by 18-20 percent. The Government maintained, however, that retail prices went up only when old stocks were exhausted, depriving the trade of a windfall bonus. Some cigar companies, however, did take until June to pass the new tax along to consumers.

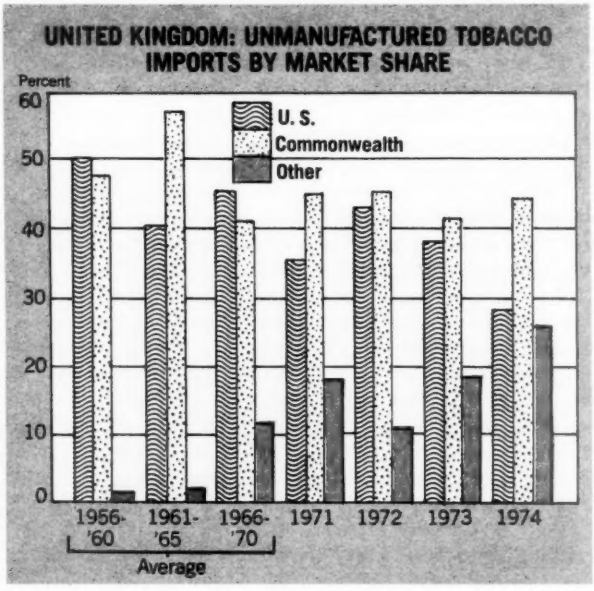
The U.K. tobacco industry is likely to continue to face adverse cost factors in the near future. As of April 15, 1975, the tobacco tax was further increased by $4.92 per pound, so that the basic fiscal element on all tobacco imports now amounts to $18.40 per pound. To this must be added the protective element of 8.5 cents per pound and ad valorem tax of 8.4 percent.

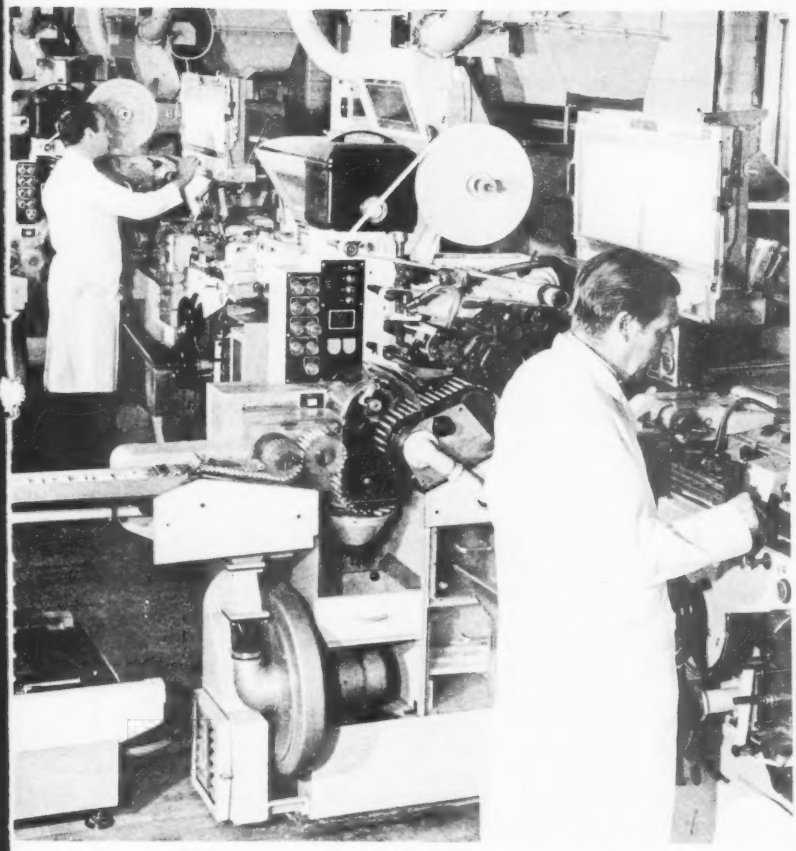
Although the latest increase in duty is on the specific element and, in theory, is no more harmful to tobacco of U.S. origin that to that from other sources, it will, in fact, probably have the greatest adverse effect on the higher priced leaf.

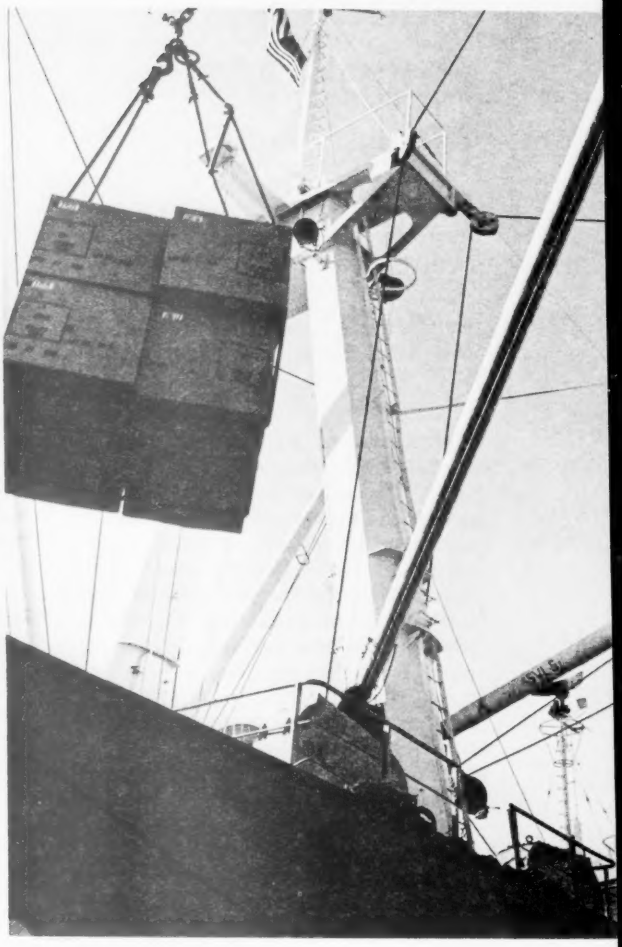
The higher duties have had a significant influence on both manufacturers and consumers. Consumers have reacted by curtailing consumption, and by purchasing more smaller sized cigarettes, cheaper brands, and filtertips.

For manufacturers, the higher duty greatly increased working capital re-









Top, modern U.K. cigarette-making machines such as these turned out an estimated 157.4 billion cigarettes in 1974. However, the share of U.S. leaf in these cigarettes fell from 36 percent in 1973 to 31 percent in 1974. Right, U.S. tobacco, in strips, is loaded at Norfolk, Va., for export.

quirements. Since import duties must be paid when unmanufactured tobacco leaf is released from bond, processors now must tie up larger sums of money in working stocks. This larger outlay of capital is not recovered until the higher tax is paid later by the consumer at the retail counter.

Early in 1974, the industry also had to cope with the energy crisis, the 3-day work week, and a shortage of certain packing materials. Later, labor disputes in the manufacturing phase of industry seriously affected production and sales. And high world prices for tobacco leaf in 1974—combined with the further depreciation of sterling in terms of most of the world's currencies—added to overall capital requirements of tobacco importers.

Faced with these multiple adversities, U.K. tobacco manufacturers sought relief by making use of European Community and Commonwealth preferences, where posible, and by susbtituting cheaper tobaccos for higher quality flue-cured leaf. Major beneficiaries were: Canada, India, South Korea, Thailand, Pakistan, and Brazil. Canada replaced India as the second largest supplier after the United States. Imports from Canada reached a high of 65.1 million pounds in 1974, up 54 percent from those of the previous year. Imports from India rose 20 percent to 64.7 million pounds.

Larger supplies came from Italy, benefiting from the EC marketing system and lower duties. Market access also improved for leaf imports from the Dominican Republic, Guatemala, Mozambique, Bulgaria, and North Korea.

Tobacco imports from the United States are again being put at a disadvantage by the EC's recent renewal for 1975 of the preferential tariff quota established last year for flue-cured tobacco imported from those countries eligible for generalized preferences. This quota has been set at 30,000 metric tons, a substantial increase over last year's 22,000 tons.

Imports within the quota will receive 50 percent duty preference, to be allocated among EC members, with the United Kingdom receiving two-thirds of the total. India is intended to be the chief beneficiary.

Other efforts to economize include an increase in the proportion of imports received as stripped leaf and expanding the quantities of oriental and burley types received, at the expense of flue-cured.

The switch from plain to filter brands allowed a slight reduction in the volume of tobacco used per cigarette. For example, the number of cigarettes consumed in 1974 was down only 0.3 percent from the previous year's level to 137 billion pieces. Yet the manufactured weight of these cigarettes declined by 1.5 percent to 225.6 million pounds.

Continued on page 18

Added Acres Supply More New Zealand Export Corn

By HAROLD T. SANDEN
U.S. Agricultural Attaché
Wellington

Grain storage facilities in New Zealand. Much of New Zealand's 70,000-80,000-ton corn surplus will be collected in bins like these before going overseas.

EVER SINCE the first Europeans came to the lush islands of New Zealand in 1837, grass has been recognized as the country's great natural resource—and basic feed for a far-flung livestock industry. But recently dry weather and expanded demand for mixed feed have sparked interest in corn, with output responding so strongly that New Zealand now has corn to export.

Although mean average rainfall varies from under 12 inches in the dry South Island highlands to over 200 inches in the rain forests of the Milford Sound area, most parts of New Zealand enjoy adequate rainfall that supports rich pastures practically the year-round.

In recent years, however, some areas have been hit by abnormally dry weather, with a consequent reduction in forage for livestock. This has created pressure for supplemental feeding during the winter and sent farmers looking for crops that can get them through drought.

Previously, skim milk had been one good source of supplemental feed, particularly for the hog industry. However, when dried skim milk prices rose in the world market, this once-inexpensive product was no longer available.

At the same time, New Zealanders were discovering fried chicken, sparking almost overnight growth in what is now a thriving industry. This new industry demanded additional poultry output and thus new feed sources, complicating the already tight supply situation.

Corn was the logical supplement to grass. It has been grown for many years in the Gisborne area, which has a climate akin to that of the U.S. cornbelt but traditionally has specialized in production of sheep and beef cattle. At one time this region had a fairly sizable corn acreage, totaling as high as 22,000 acres, but this eventually fell to only about 10,000, mainly because of the high freight costs to the Auckland and Waikato areas, where most of New Zealand's hogs and chickens are raised.

Consequently, South Auckland and Waikato Provinces have been the most recent sites of corn expansion. Initial interest here was in corn as a supplemental green fodder crop to tide dairy farmers over drought periods. But the recent rise in demand for hog and poultry feed sparked the real expansion, with acreage rising more than fourfold in the last year to 44,000 acres.

THE OUTCOME of all this is that New Zealand had a huge 1974/75 corn crop of 209,000 metric tons, compared with 130,000 and 102,000 in the 2 previous years. Meanwhile, the livestock and poultry industry has slumped badly and in its current state cannot afford much costly feed. Thus, New Zealand is expecting surpluses of 70,000-80,000 tons and is looking for corn export markets. Recent sales of 27,000 metric tons to Japan and Taiwan have been reported.

This overproduction is seen leading to a smaller crop in 1975/76 of possibly 155,000 tons.

Nonetheless, corn continues to have potential in New Zealand. For instance, recent experiments have supported use of more corn as a green fodder crop, particularly in the feeding of dairy cows during dry months. This may well be the most important future use, along with production for ensilage. Many parts of New Zealand have too temperate a climate to support vigorous corn grain production, such as in the U.S. cornbelt, but the feeding of cattle with corn ensilage could help spread the seasonal nature of cattle slaughter.

As far as corn yields are concerned, New Zealand's in good years are substantially above U.S. averages. Corn growing competitions are held each year in the Gisborne area, and last season's winner had a yield of 223 bushels per acre. However, countrywide averages are closer to 120 bushels per acre, compared with about 90 in the United States.

Corn hybrids grown in New Zealand are supplied by U.S. hybrid corn companies, thus providing a modest market for another U.S. agricultural product. In addition, there is an increasing demand for U.S. agricultural machinery, particularly corn harvesting equipment.

If New Zealand is to get into corn grain production in a big way, however, it will have to grow corn economically and will need grain drying and storage equipment. Currently, much corn is stored in corn cribs through the winter and later shelled in the spring. Corn stalks left after picking are often wasted, and New Zealand farmers must utilize this very valuable winter feed if the returns are to be maximized.

Looking down the road, New Zealand will continue to rely heavily on its grass resources, turning these into marketable commodities such as meat, wool, and dairy products. Paddock systems of grazing will still be the basis of most agriculture, using livestock to do the harvesting and keeping labor to the minimum. The more progressive farmers will see the value of more intensive cropping of their land, and corn production will be in future plans.

Romania Boosts Soybean Imports and Output

To satisfy burgeoning domestic demand for mixed feed ingredients, Romania has been rapidly expanding imports of U.S. soybean meal while also developing a soybean industry of its own. So far the demand has been sufficient to absorb both Romanian soybean production and larger imports, but the country's eventual aim is self-sufficiency—a goal hinging on developments in its livestock industry and on its ability to hurdle several obstacles still impeding soybean output.

From 8,200 metric tons in 1965, Romania's soybean meal imports jumped to 117,000 tons in 1972 and 220,000 in 1974, with the United States providing 52,000 and 103,000 tons, respectively, of the 1972 and 1974 totals. Romania has also imported 15,500 tons of U.S. soybeans to date in 1975. The country is not typically an importer of U.S. soybeans or soybean oil, since oil needs are supplied from its huge sunflowerseed crop, which also generally occupies most of the limited crushing facilities. However, reduced sunflowerseed output in 1974 has released crushing capacity.

But even as its soybean meal imports are rising, the country is moving ahead with expansion in soybean area, which aside from a limited acreage in Yugoslavia represents the only major East European commitment to soybean production. Both area and yields have risen dramatically in the past decade, pushing output from only 2,700 metric tons produced on 13,840 acres in 1965 to 244,000 tons on 452,000 acres in 1973. For 1975, soybean area is estimated at nearly 600,000 acres for a potential output of around 300,000 tons.

The yield gain during that period amounted to about 150 percent, with yields averaging 21 bushels per acre in 1973 compared with 8 bushels in 1965. New varieties, improved technology, expanded use of herbicides, and better placement of crops have led to the larger yields.

This impressive growth has come in spite of some major problems, which if not overcome, could pose serious roadblocks to future rapid expansion in Romanian soybean output.

One problem has been the adverse weather of the last few years. In 1973 and 1974, it was in the form of drought, which adversely affected most grain and oilseed crops. This year, it has come from summer floods, which are believed to have affected the major soybean producing areas of western and southern Romania, with a resulting dimming of production expectations.

Another obstacle is the unsuitability of growing soybeans on much of Romania's farmland. For instance, soybean production requires level land so that depth governors on plows can be set at 4-5 centimeters, which means that a large portion of Romania's mountainous terrain is unsuitable for soybean production. Planned shifts in acreage allocated to grains, together with the achievement of higher grain yields, could obviate this problem in the future by opening up more acreage in the plains to soybeans.

Finally, soybean production requires a high degree of technical knowledge—still lacking in Romania although the Department of Cooperative Agriculture has organized courses to instruct farmers on proper production techniques.

Romania's increasing demand for imported soybean meal—at a time when its own soybean production is on the rise—reflects some far-reaching changes in the country's livestock industry. Since 1970, the Romanian Government has been stressing livestock production above all as a means of increasing farm export earnings from beef and pork sales. However, supplying more meat—especially poultry meat and pork—for domestic consumption is also a major goal.

As a result, the country has not only greatly expanded livestock output in the last 5 years, but it has also placed added emphasis on use of mixed feeds by modern production units. Soybean meal is considered a desirable high-protein ingredient in these feeds, which in the past have used mainly domestic sunflowerseed and rapeseed meal and imported fish and peanut meal for the needed protein. Although fishmeal is still important—being recognized more and more as a supplement to soybean meal—peanut and sunflower meals require the addition of essential synthetic amino acids.

The original aims of the Romanian Government in its 1970-74 5-year plan were for a 43 percent increase in cattle numbers, 70 percent in swine, and 63 percent in poultry. While these goals were never fully achieved, they did spark an impressive expansion in livestock numbers and production, as shown in the table below. Particularly impressive are increases in hogs and poultry, whose feed rations use high percentages of soybean meal.

—By STUART PROCTOR, FAS

ROMANIAN LIVESTOCK AND POULTRY PRODUCTION, 1970-74

Item	Number						Production					
	1970	1971	1972	1973	1974	Increase from 1970	1970	1971	1972	1973	1974[1]	Increase from 1970
	Mil. head	*Mil. head*	*Mil. head*	*Mil. head*	*Mil. head*	*Percent*	*Million metric tons*	*Million metric tons*	*Million metric tons*	*Million metric tons*	*Million metric tons*	*Percent*
Cattle	5.0	5,2	5.5	5.8	5.9	18	0.22	0.21	0.22	0.25	0.25	13
Hogs	6.0	6.4	7.4	8.8	9.0	50	.45	.47	.59	.67	.71	57
Poultry	53.9	54.3	61.3	64.5	[1]66.0	23	.12	.14	.19	.21	.23	91
							Millions	*Millions*	*Millions*	*Millions*	*Millions*	*Millions*
Eggs	—	—	—	—	—	—	3.5	4.0	4.3	4.7	4.8	37

[1] Estimated.

Soviet Livestock Showed Gains in First-Half 1975

The Soviet livestock industry made advances in most categories during the first 6 months of 1975. Overall performance was not as impressive, however, as in the first half of 1974.

Reduced feed supplies from the low crop output in 1974 deterred livestock progress this year. Drought conditions in many regions of the USSR this year —the effects of which had become severe by June—caused a sharp deterioration in the livestock feed base and consequently a lowering of livestock productivity, especially of cows.

As of midyear, each of the major categories of livestock in the socialized sector showed gains from those of a year earlier, with the larger percentage increases occurring in cattle and poultry numbers. Sheep and goat numbers, however, gained only slightly.

In the socialized sector, production of meat increased 4 percent, milk 2 percent, and eggs 9 percent above January-June output in 1974. Poultry meat production continued to grow at a rapid rate.

An impressive 8 percent gain in mutton and lamb production, however, may already indicate some heavier-than-usual slaughter owing to drought in major sheep grazing areas. Milk yields dropped 0.5 percent below the year-earlier level—a direct result of the adverse effect of drought on the feed base. A 12 percent jump in egg production is due partly to another 3 percent increase in the laying rate.

Government purchases of slaughter livestock and eggs from all sources rose during the first half of this year by 5 and 9 percent, erspectively, and the semi-annual plans reportedly were exceeded. The 2 percent gain in milk purchases was not impressive, however, despite the fact that the plan reportedly was exceeded.

Industrial production of meat (from Government supplies) during January-June rose 8 percent from levels of a year earlier. Whole milk products and cheese both increased 3 percent. Output of total vegetable oil and butter continued to lag, however, and both fell 4 percent below levels registered a year earlier.

Little data pertaining to crops was

Continued on page 16

Nonfat Surplus Latest Dairy Problem

Continued from page 4

the past few years.

Thus, New Zealand will be forced to work harder on developing new markets in Asia, Africa, the Middle East, and Latin America if it is not to be overwhelmed by huge dairy surpluses. The nonfat surplus already is approaching 150,000 tons.

Australia is more fortunate in that it is less dependent on the world market —about a third of production moves into export—and will end 1975 with only modest stocks, reflecting the long-term decline in its dairy herd. Moreover, the reorganization of Australia's Dairy Board should strengthen an already-aggressive marketing program.

In Western Europe, the EC remains enmeshed in a nearly untenable dairy surplus problem, with little hope for bringing the changes needed to discourage ever-increasing milk output.

Perhaps the single most important factor in the EC outlook is the level of imports into the United Kingdom—virtually the only commercial outlet for dairy surpluses from other EC members. While the current milk shortage is giving strength to this trade—as will phasing out of butter and cheese imports from New Zealand—there are several potentially negative factors at work. These include the likelihood that the U.K. subsidy on retail sales of fluid milk will be reduced, diverting more milk into products; the recent devaluation of the "Green Pound" that will make British imports from the EC more expensive; and a recent Government report urging expansion in the United Kingdom's ailing dairy industry.

Meanwhile, the EC Commission continues to act cautiously regarding the nonfat dry milk surplus. So far, the only generally acceptable measures proposed have been increases in nonfat dry milk for humanitarian purposes. Other measures—such as increased feed uses —have been opposed as too costly or as likely to reduce farmer incomes. None of these proposals seems likely to substantially reduce the nonfat dry milk "mountain."

Similar difficulties appear to be catching up with other areas of Western Europe. Switzerland has recently budgeted several million dollars for disposal programs and is also concerned with stocks of whey powder, which have risen with cheese production. Accordingly, the Government recently raised the required content of both nonfat dry milk and whey powder in milk substitute feeds.

Swiss dairymen are also concerned about possible U.S. countervailing duty action against cheese from Switzerland and the continued economic problems in Italy—a traditionally important market. Austrian cheese exporters are worried about the same two markets.

In North America, monthly U.S. milk production fell below year-earlier levels during May, June, and July 1975 after 9 months of gain.

Falling milk production reflects a drop in yield per cow, which can, in turn, be attributed to reduced feeding of grains and concentrates. This lower quality feeding is a result of the relatively low profitability of milk production; the milk-feed price ratio for the first half of 1975 was 9 percent below the average for the same period in 1974 and 18 percent below the 1971-73 average. The milk-feed ratio will improve if feed prices moderate; consequently, milk production will be strongly influenced by the outcome of this year's feedgrain harvests.

Canadian milk production should continue to make good gains under a strong price support program. Target prices announced on April 1, 1975, were increased substantially over year-earlier levels. The price for manufacturing milk was raised nearly 30 percent; butter, 34 percent; and nonfat dry milk, 28 percent. A new plan for "indexing" milk prices to input and other costs should also help farmers' returns.

Perhaps the only major disincentive to Canadian milk production is an increased levy on manufacturing milk. The levy, which is used to help trim growing nonfat dry milk stocks, was raised to 90 cents per hundredweight on July 1 (from 15 cents 3 months earlier) and takes a large bite out of the latest milk support price gains. Canada has also tried to reduce nonfat dry milk stocks by allowing consumer packs to be sold under subsidies, which now amount to 34 cents per pound.

Still, the price support program—coupled with more stringent import regulations—could move Canada back toward dairy product self-sufficiency after becoming a net importer of butter and cheese during the early 1970's.

Denmark Slashes Imports Of U.S. Soybeans in 1974

THE U.S. SHARE of the Danish market for oilseeds continued to drop in calendar 1974—although total volume was up—as Denmark's takings of cheaper Brazilian soybeans rose and soybeans from the People's Republic of China (PRC) came in for the first time since 1967.

The United States provided Denmark with 297,100 [1] tons of soybeans of total 1974 soybean imports of 471,000 tons. This was a 63 percent share of a market that historically supplied 90-95 percent of its needs from the United States and was the smallest U.S. market share since 1961. It was 30 percent less than the 93 percent U.S. share in 1973, when the Danes imported 359,360 tons of U.S. soybeans. In the late 1960's and early 1970's, the U.S. share was 100 percent.

While it had been believed earlier that Danish purchases of U.S. soybeans might be greater in 1975 than a year earlier—provided prices were competitive with Brazilian soybeans—U.S. export data reveal that U.S. soybean shipments to Denmark in January-July 1975 were only 101,000 tons, about 55 percent of those shipped in the first 7 months of 1974. Thus it is apparent that a strong upsurge will be required in the last half of the year if U.S. soybean exports to Denmark in 1975 are even to match last year's total.

The c.i.f. value of Denmark's oilseed imports in 1974 rose by 70 percent to US$144 million, while the value of those from the United States increased by only 29 percent to $79 million because of larger Danish imports of Brazilian soybeans. The latter rose to 142,490 tons in 1974, from 28,600 tons in 1973.

Direct imports from the PRC amounted to 10,500 tons and an additional 19,720 tons of PRC beans were transshipped through Romania. Paraguay also supplied 1,000 tons of beans to the Danish crushing industry. Imports of most other oilseeds were down in 1974 except for palm kernels that were up by one-third to 22,300 tons.

The Danish fats and oils industry had a mixed year in 1974. Oilseed crushings recovered slightly from 1973 production setbacks, but did not attain earlier records. Domestic production, imports and exports of oilseeds, and total trade in fats and oils were up, as was meal production. But output of vegetable oils and animal fats and oils was down.

The area planted to oilseeds—mostly rapeseed—gained by 18 percent to reach 163,000 acres in 1974, as high oilseed prices pulled fields out of grain production. With favorable growing conditions, output was up by 37 percent to 143,900 tons.

Rapeseed area increased somewhat, while mustard area doubled. However, since harvest, producers have been caught with mustard crops few companies want to buy, even at less than a third of 1974 prices.

Production of vegetable oils (including hardened oils) declined from 135,500 tons in 1973 to about 126,000 tons in 1974, primarily because of a reduction in coconut oil output from 11,000 tons in 1973 to about 3,400 tons in 1974. Output of soybean oil stayed at about the 1973 level as the beans apparently had a lower oil content. Rapeseed oil output declined to 5,100 tons, while palm kernel oil production rose to 3,500 tons.

"... U.S. export data reveal that U.S. soybean shipments to Denmark in January-July 1975 were only 101,000 tons ..."

Denmark's two oilseed crushers continued to operate at a limited level in 1974. Although their meal output was up 5 percent to 382,200 tons in 1974, it was still below that of previous years, reflecting lower demand by Danish hog producers.

About 91 percent of the oilmeal output was soymeal, compared with 90 percent in the previous year. Crushings of rape and copra declined.

Aarhus Oilfactory, one of the two Danish crushers, started commercial production of soy concentrate in late 1974. The product is being used with about 70 percent protein as a milk replacer—the first launched on the Danish market—and can also be used as an extender in meats and baby foods. A sizable export market is expected to develop.

Crushing in Denmark is based almost entirely on imported oilseeds, and the country's two crushers have depended on the United States for the bulk of their needs. One plant, situated in the eastern part of the country, ships meal and oil to Sweden, while the other, in western Denmark, exports its surplus to the northern part of West Germany, and supplies the Jutland livestock industry with meal.

Danish exports of oilseeds rose sharply from 60,860 tons in 1973 to 152,060 tons in 1974. Bulk of these shipments was rapeseed (141,740) and the remainder mostly mustardseed (8,410). Ninety-five percent of these exports went to other European Community countries, mostly to West Germany, the Netherlands, and the United Kingdom.

Foreign trade in vegetable oils was slightly lower than in 1973. Imports consisted mostly of palm oil (9,740 tons), while the majority of the exports was soybean oil (31,710 tons) and hardened vegetable oils (10,570 tons). Sweden continued as the major market for Danish crude soybean oil, taking 18,930 tons, some 3,000 tons less than last year's, and 10,000 tons less than in 1972.

Danish imports of oilcake and meal continued the uptrend of the previous year and reached 979,760 tons, 10 percent more than in 1973. Exports rose 48 percent to normal levels with 157,290 tons, mostly soybean meal, shipped primarily to Sweden (96,470 tons) and Poland (23,210 tons). Soybean meal imports continued an uptrend to total 424,760 tons, 18 percent more than last year's.

Denmark's major meal suppliers in 1974, with imports in 1,000 tons, and 1973 figures in parentheses, were: West Germany, 210 (166); Turkey, 136 (133); the United States, 133 (117); Brazil, 81 (56); Guatemala, 58 (35); Argentina, 53 (42); Nicaragua, 44 (33); and Norway, 37 (50).

During 1974, Denmark imported soeme 740 tons of soy concentrates from the United States, the major supplier of these products to the Danish market. —Based on report from *Office of U.S. Agricultural Attaché, Copenhagen*

[1] All tons are metric.

CROPS & MARKETS

TOBACCO

U.K. Cigarette Prices Hiked Again. Imperial, the leading tobacco manufacturer in the United Kingdom, launched another round of cigarette price increases in mid-August. All sizes except king-size were raised ½ pence (a little more than 1 U.S. cent) per pack. Other manufacturers usually follow Imperial's price leadership. Persistent cost inflation is blamed for these recent hikes.

Imperial's king-size brand price remained at 46 pence (97 U.S. cents) per pack of 20. The market share of these brands has suffered as smokers shifted to economy brands in the wage of three successive retail price rises in 1975. Imperial apparently hopes king-size sales will recover if their prices are held steady.

LIVESTOCK • PRODUCTS

Australia's Meat Exports End Year on Upbeat. During U.S. fiscal 1975 (July 1974-June 1975), Australia's beef exports fell 11 percent, while all red meat shipments were down 6 percent. Despite the reductions, the year ended on a positive note: Red meat exports for June 1975 reached 61,676 metric tons, more than double those of June 1974.

New Zealand Devalues. On August 11, New Zealand devalued its currency by 15 percent, which should enhance its competitive position for exports of all agricultural products, especially lamb. Australian spokesmen say that while New Zealand's move will make them keener competition, Australia does not plan to devalue its own currency.

FRUIT • NUTS • VEGETABLES

West Germany To Import Cut Flowers. The West German Government has announced a tender for imports of fresh cut flowers other than tulips, hyacinths, narcinths, narcissi, and orchids. Eligible origins are a large number of countries including the United States.

Applications for import licenses will be accepted until an undisclosed value limit is reached, but not later than May 13, 1976. Import licenses issued will generally be valid until May 15, 1976. The first day of customs clearance is October 1, 1975. All shipments must comply with EC quality standards and phytosanitary requirements.

Spain's 1975/76 Citrus Crop Up Slightly. Trade sources have estimated Spain's 1975/76 citrus crop at 2,750,000 metric tons based on current conditions and assuming favorable weather for the remainder of the season. The new crop would be slightly larger than last year's but under the record 2,870,070 tons produced in 1972/73. Spain is the Mediterranean area's leading producer and exporter of oranges and tangerines.

Italian Processing Tomato Output Dips. Italy's 1975 tomato crop is estimated at 3,020,000 metric tons, 7 percent less than last year's. Of this total, about 1.5 million tons are destined for processing, 16 percent below 1974's level. This decrease stems mainly from the high carryover situation and pessimistic export prospects.

Industry sources in Campania, the southern region, now indicate that the 1975 grower price for tomatoes for canned whole processing was established at about $145.40 per ton, up 1 percent from last year's. The 1975 grower price for tomatoes destined for paste processing, on the other hand, was set at $75.75 per metric ton, down 4 percent from the previous year.

In northern Italy the 1975 grower price for tomatoes destined for paste processing was set at about $65.10 per ton, roughly the same as last year's. In contrast, the grower price for tomatoes channeled to canned whole processing was established at about $81.80 per metric ton, down 10 percent from last year's.

Portugal's Processing Tomato Prices Steady. Portugal's 1975 grower prices for tomatoes destined for paste processing remain unchanged from last year. Based on the current currency exchange rate, 1975 grower prices for first and second quality tomatoes are $49.10 and $41.60 per metric ton, respectively.

No marked changes are reported in the area planted or in crop conditions for processing tomatoes.

U.K. Lifts Dollar-Area Grapefruit Import Barriers. The United Kingdom removed restrictions on fresh grapefruit imports from the so-called "dollar area" on August 8, 1975. The dollar area consists of 18 countries among which the United States, Mexico, and Cuba are the leading producers and exporters of grapefruit. The liberalization was undertaken to comply with European Community regulations establishing common rules for imports.

Prior to this action, the United Kingdom barred all dollar-area grapefruit imports during October and November, and maintained an import quota for the remainder of the year. U.S. fresh grapefruit exports to the United Kingdom have averaged $360,000 the past 3 years.

DAIRY • POULTRY

Brazil Plunges Into World Broiler Market. Brazil has sold 4 million pounds of broilers to Kuwait for July-August delivery, reportedly for about 45 cents per pound, f.o.b., subsidy-free. With the exception of some small pilot-scale shipments to Japan in 1973, the Kuwait sale represents Brazil's first broiler exports. Brazilian trade sources currently estimate total broiler exports during calendar 1975 at 11 million pounds.

EC To Subsidize Private Storage of Skim Milk Powder. The EC Commission has authorized Member State intervention agencies to subsidize private firms for the storage of skim milk powder. The subsidy was set at a flat rate of 31 units of account per 100 kilograms for a 3-month storage period. The equivalent in U.S. cents per pound would range from 19.58 in the Netherlands to 17.73 in the United Kingdom.

Private-storage aid contracts may be concluded during the period, August 1-September 30. The product must have been manufactured after May 31, 1975, kept in storage for at least 3 months, and contain a minimum of 10 metric tons.

This action follows measures taken earlier to increase consumption of skim milk powder through increased donations and various types of subsidies.

—GRAINS • FEEDS • PULSES • SEEDS—

Rotterdam Grain Prices and Levies. Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Aug. 29	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	5.89	−39	5.88
USSR SKS-14	(1)	(1)	(1)
French Feed Milling [2]	4.36	−20	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	5.35	−27	5.67
U.S. No. 2 Hard Winter:			
13.5 percent	5.14	−24	5.44
No. 3 Hard Amber Durum	7.14	−24	7.77
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	4.44	−30	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.64	−11	3.98
French Maize [2]	3.87	−6	(1)
Argentine Plate corn	4.23	−5	4.22
U.S. No. 2 sorghum	3.44	−12	3.81
Argentine-Granifero sorghum	3.50	−9	3.84
U.S. No. 3 Feed barley	3.54	+6	3.27
Soybeans:			
U.S. No. 2 Yellow	6.41	−23	8.36
EC import levies:			
Wheat	.43	+26	0
Corn	.31	+9	0
Sorghum	.48	+10	0

[1] Not quoted. [2] Basis c.i.f. west coast, England
NOTE: Price basis 30- to 60-day delivery

Denmark's Grain Production Down. Denmark's 1975 grain crop is currently forecast at 6.8 million metric tons, down 6.4 percent from 1974. A 7 percent decline is expected in the production of wheat and barley.

Drought, which cut yields of grain crops, also adversely affected the output of fodder beets and grass; total production of green meal is now projected to reach no more than 250,000 tons, compared with 325,000 tons in 1974. With reduced production prospects for these feeds, grain usage for feed is expected to increase slightly to 5.4 million tons in 1975/76, even with a decline in livestock production.

Denmark is a net exporter of grain, and exports—mainly to other EC members—in the 1975/76 August 1-July 31 season are projected at 612,000 tons, down substantially from exports of 1.04 million tons in 1974/75. The United States is expected to supply Denmark with an estimated 140,000 tons of corn in 1975/76, about the same as last year.

Spain's Record Grain Crop Will Cut Corn Imports. Spain's record 1975 grain production of 14.3 million metric tons—12 percent above last year's good harvest—will substantially reduce Spanish imports of feedgrains in 1975/76.

Spain imported 4 million metric tons of corn in 1974/75, but with output of barley up by 30 percent, to 7 million metric tons, corn imports are expected to drop by about 25 percent in 1975/76. The United States has supplied more than half of Spain's corn imports over the past few years.

With Spain's emphasis on expanding livestock production, feedgrain use has been increasing by about 1 million tons annually in recent years. Spain has thus had to rely heavily on imported feedgrain, mainly corn, to sustain growth in the livestock sector.

India's Crop Prospects Good, Despite Some Flooding. As of the end of August, prospects for the fall grain harvest (kharif) in India continue to be favorable although floods have damaged crops in some areas. Since the start of the southwest monsoon, June 1 through August 20, cumulative rainfall has been normal or above normal throughout India, except for Assam and Bihar, where it was only marginally deficient. Ironically, the latter Province is now suffering from floods.

The overall performance of the monsoon, thus far, continues to be very favorable and is substantially better than in the corresponding period of 1974. Areas accounting for an estimated 91 percent of total fall-harvested cereal grain production have received normal or above normal rainfall during June 1-August 20 of this year, compared with 62 percent for the like period in 1974.

Although a bumper fall harvest may be in the making, floods have damaged crops in some areas. In addition to Bihar, 2.2 million acres of crops have been affected by floods in Uttar Pradesh, but the extent of crop damage is unknown at this time.

World Weather Watch Through September 1. Rains since mid-August helped relieve dry conditions in much of Western Europe but heat and drought had already taken a heavy toll of crops. Australia's wheat areas, especially the previously dry southeast interior, received generous rain in early August and crop prospects greatly improved. August 23 brought more cold and perhaps some frost to western Siberia and northern Kazakhstan in the USSR.

Unusually heavy frosts in parts of Peru have caused serious losses of vegetables and field corn. Reports indicate the cold winter has hurt citrus in Argentina and set back other crops there as well. Excessive early summer rain threatened wheat in Ecuador, but prospects improved with better weather in late July-early August. Wet weather and disease are reported to have also reduced corn prospects in Venezuela.

Early summer drought hurt crops in El Salvador, although not to the extent it did in Honduras and Nicaragua. Mexico's summer weather is reported to have been mostly favorable though rains began late in the northeast around Tamaulipas.

On the heels of typhoon Phyllis, typhoon Rita brought wind and heavy rain for 2 days with mixed blessings to Japan, August 22-23.

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West Europe Boosts Trade with East

West European trade with East European countries was higher in 1973 than in the previous year, with imports and exports by the West showing jumps of over a third, according to data in the recently released Economic Commission for Europe of the United Nations' *Agricultural Trade Review No. 12.*

West European imports from Eastern Europe (including the USSR), amounted to $2,467 million, representing an increase of 37 percent over those of the previous year. In absolute terms, of the $670-million jump, West Germany accounted for $213 million, Italy for $134 million, Yugoslavia for $110 million, and France for $73 million.

Exports from West European countries to Eastern Europe amounted to $1,460 million, an increase of 38 percent over the previous year's. West European net imports from Eastern Europe were $1,007 million, compared with $744 million in 1972, a 35 percent gain.

Major West European markets for the East European countries are still, in descending order, West Germany, Italy, France, and the United Kingdom; but in 1973, Yugoslavia (although generally considered an East European country) took fourth place before the United Kingdom. These countries' respective shares of total West European imports from Eastern Europe in 1973 were 29, 24, 10, 9 and 7 percent, for a total of 79 percent.

West Germany still buys agricultural products mainly from East Germany, Poland, Hungary, and the Soviet Union, while Italy gets its supplies chiefly from Hungary, Poland, and Romania. The principal West European exporters to Eastern Europe were West Germany, France, Greece, and the Netherlands. These countries provided 28, 17, 10, and 8 percent respectively, of total West European exports to Eastern Europe.

The flow of commodities between the two regions was mostly live animals and meat (especially bovine meat) moving west and grain (especially barley) east. Italy's imports of live animals and meat hit $525 million, 32 percent more than in 1972.

U.K. Tobacco Use

Continued on page 9

The U.K. industry hopes to expand retail sales of tobacco products by making greater use of vending machines. Currently, estimates show that just 8-12 percent of all British cigarette sales go through machines. Manufacturers are now showing much more inclination to cooperate with this branch of the trade, however, by making special-size packs for machine use. But constant price changes are already creating difficulties and retarding progress in this area.

It remains to be seen whether the British consumer, faced with continued inflation and rising living costs, will maintain the fairly high levels of expenditure on tobacco that prevailed throughout most of 1974. Preliminary data already suggest that a smaller share of total disposable income was being spent on tobacco products at the end of the year. Still higher prices, reflecting the latest budget tax increase, can only hasten this trend.

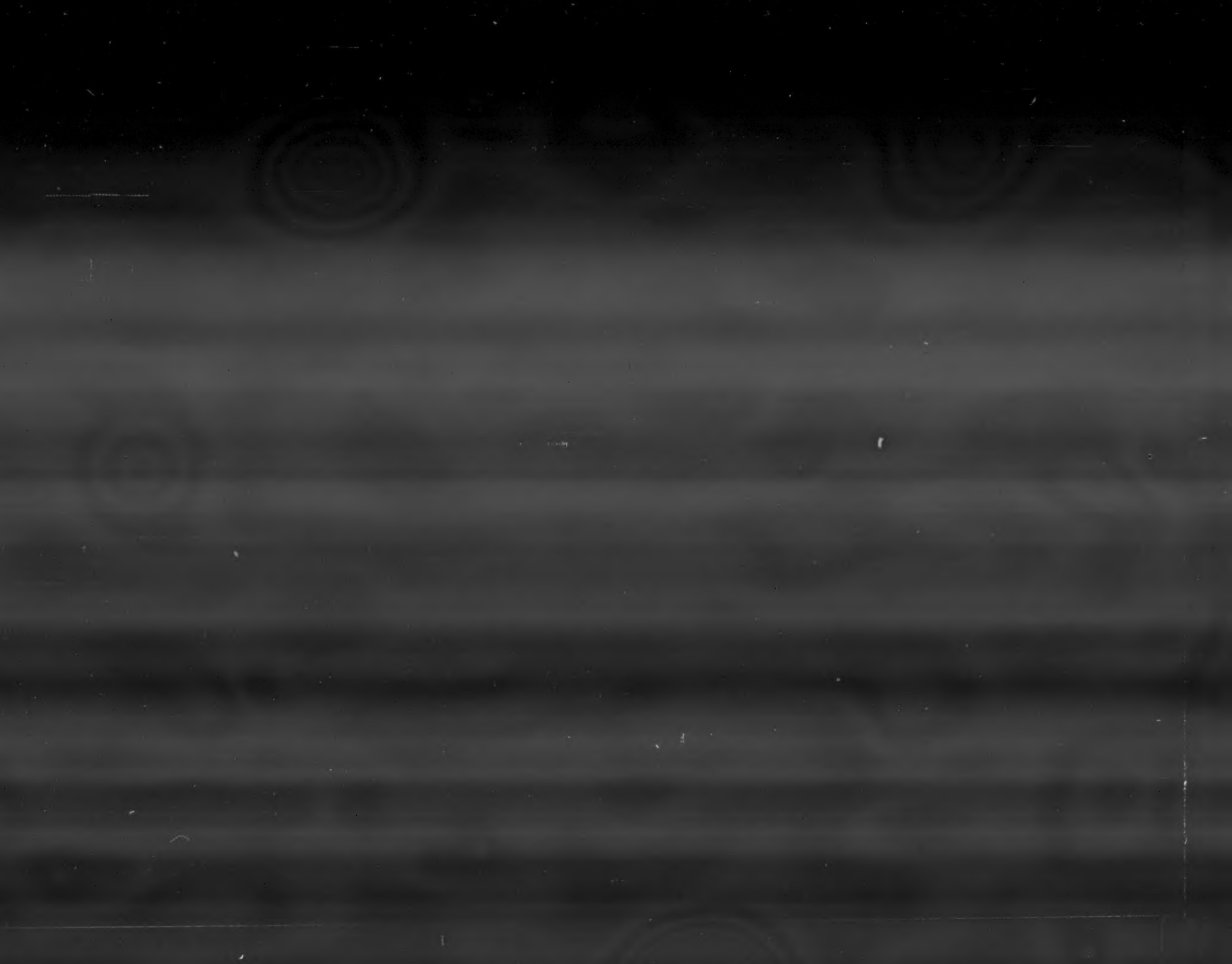
Soviet Livestock

Continued from page 12

included in the 1975 mid-year progress report on the agricultural sector. The preliminary total sown area for this year's crops was reported at more than 217 million hectares—compared to 216 million hectares reported a year earlier—exceeding the plan. No specific information was published, however, on the area sown specifically to grains and other crops.

—By Angel O. Byrne, ERS

LIVESTOCK ON STATE AND COLLECTIVE FARMS, JULY 1, 1971-75
[In million head]

Year	Cattle	Cows	Hogs	Sheep and goats	Poultry
1971	76.6	24.8	51.0	137.9	474.5
1972	79.6	25.0	51.6	135.3	502.4
1973	81.3	26.0	51.8	139.6	521.6
1974	84.0	26.8	54.6	146.1	558.0
1975	86.6	27.5	55.6	146.8	573.3

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